

# MKHAMBATHINI MUNICIPALITY

## ANNUAL REPORT



**2015/2016**



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### 1.1 MAYOR'S FOREWORD



It is my pleasure to be presenting the 2015/2016 Annual Report of Mkhambathini Municipality.

Local government is synonymous with challenges as well as high expectations from the community and 2015/2016 has been no exception. The vision of Mkhambathini Municipality is by, the year 2020 Mkhambathini will be a sustainable developmental Municipality with improved quality of life for its entire people in areas of basic service, social, economic and environmental development.

It is this vision that guided the Municipality in the 2015/2016 financial year and I am pleased to be able to report that the Municipality has made good progress towards the fulfilment of this vision under difficult circumstance such as a weak economy, rising costs and often unrealistic service delivery expectations.

Financially the Municipality has performed well in 2015/2016. It improved on its liquidity levels of the previous year and ended the year with a cash surplus of R 34 664 512.00, excluding non-cash transactions.

The Municipality has witnessed a steady spin offs on all projects that it planned to undertake in 2015/2016 resulting in moving from one of the non performing Municipality to a green status through Municipal Infrastructure Grant spending. Further to that the Municipality through continuous engagements with land owners was able to secure a land that was donated to the Municipality by Mr M Dukes to build a community hall in ward 4. The Municipality is still engaging with other farm owners to ensure that basic service delivery reaches those that resides in farm lands.

There is still a historical challenge of underdevelopment, intermittent maintenance of our infrastructure that the municipal administration is committed to overcome.

Of course there is still remain the triple challenges of poverty, unemployment and inequality that the Municipality has to take in to account when delivering services and this has to be balanced with distributing service quality to all communities within the jurisdiction of our Municipality. The Municipality has developed an indigent register with an aim of identified indigent families so that poor households can be assisted. We continue to excel in the implementation of the Expanded Public Works Programme (EPWP).

We are committed to improving our performance in the year ahead. We are confident that we will meet the expectations of our stakeholders as we drive implementation of our long, medium and short-term strategies. The Council has taken a robust approach in ensuring that all Council Committees remain functional and result

## 1.1 MUNICIPAL MANAGER'S OVERVIEW

It is my pleasure to share the achievements attained by the Municipality during the year under review. The year under review signified a turning point for the Municipality in a number of areas of performance. The Municipality in striving for greater outputs has managed to consolidate and finalisation of the Annual Financial Statements, consolidated the Annual Performance Report in house without any assistance from consultants.

### **Service Delivery Progress**

There were a number of areas where remarkable achievement was attained. The Technical Services department has a mandate of implementing infrastructure programmes and projects of the Municipality. This is in line with the basic services and infrastructure investment priorities. The Department through the assistance of municipal manager's office was able to turn around the slow delivery and finalisation of projects. This was done through continuous engagement with our consultants and contractors, as a result the Municipality was able to move from a red status to a green status by end of May 2016 through MIG reporting.

Our gratitude goes to Impendle Municipality who was able to afford us on a temporary basis the services of its Technical Services Manager. Furthermore a planning and development shared service model led by uMngeni Municipality have assisted the Municipality in the speedy implementation of the Spatial Planning and Land Use Management Act 16 of 2014.

The availability of land for development remains a challenge as most land surrounding the Municipality is privately owned and the remainder is in the hands of iNgonyama Trust.

We would like to thank our Council, our community at large for allowing us to work together with them to fulfil the municipal mandate.

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**Ms T. C. Ndlela**

**Municipal Manager**

## MUNICIPAL FUNCTIONS

The Municipality has the functions and powers assigned to it in terms of Section 156 and 229 of the Constitution of the Republic of South Africa. The Municipal Structures Act of 1998 makes provision for the division of powers and functions between the district and local municipalities. It assigns the day to day service delivery functions to the local Municipality.

Whilst the Local Municipality is tasked with the day to day delivery, it also coordinates its activities with the district and also seeks guidance on issues that affects the delivery of service of a local Municipality. The Municipal functions are indicated below:

- *Building Regulations*
- *Storm Water Management Systems in buildup areas;*
- *Trading Regulations;*
- *Billboards and the display of advertisements in public places;*
- *Cleansing;*
- *Control of public nuisances;*
- *Street lighting;*
- *Traffic and Parking;*
- *Control of undertakings that sells liquor to the public;*
- *Facilities for the accommodation, care and burial of animals;*
- *Fences and fencing;*
- *Licensing and control of undertakings that sell food to the public;*
- *Local amenities;*
- *Local sports facilities;*
- *Municipal parks and recreation;*
- *Noise pollution;*
- *Public places;*
- *Street trading; and Local economic development*

## POPULATION BY AREA

Table 2: Population by Area Ward

Characteristics	Chandana	Manzananya	Nagle	Ognrqetol	Ophodwaa
<b>Total Population</b>	<b>1334</b>	<b>3717</b>	<b>1367</b>	<b>1307</b>	<b>2848</b>
<b>Young (0-14)</b>	<b>35.2%</b>	<b>36.9%</b>	<b>32.8%</b>	<b>30.3%</b>	<b>37.7%</b>
<b>Working Age (15-64)</b>	<b>61.2%</b>	<b>59.4%</b>	<b>61.9%</b>	<b>64.6%</b>	<b>57.9%</b>
<b>Elderly (65+)</b>	<b>3.6%</b>	<b>3.8%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>4.3%</b>
<b>Dependency Ration</b>	<b>63.3</b>	<b>68.4</b>	<b>61.6</b>	<b>54.7%</b>	<b>72.6</b>
<b>Sex Ration</b>	<b>84.4</b>	<b>80.8</b>	<b>92.4</b>	<b>89.7</b>	<b>92.7</b>
<b>Population Density</b>	<b>1350 persons/km2</b>	<b>810 persons/km2</b>	<b>562 persons/km2</b>	<b>1406 persons/km2</b>	<b>859 persons/km2</b>

Table 3: Population by Area Ward 2

Characteristics	Chandana	Manzananya	Nagle	Ognrqetol	Ophodwaa
<b>Total Population</b>	<b>2088</b>	<b>328</b>	<b>86</b>	<b>5922</b>	<b>2369</b>
<b>Young (0-14)</b>	<b>31.8%</b>	<b>33.3%</b>	<b>3.5%</b>	<b>33.1%</b>	<b>34.4%</b>
<b>Working Age (15-64)</b>	<b>63.3%</b>	<b>61.8%</b>	<b>96.5%</b>	<b>61.8%</b>	<b>61.9%</b>
<b>Elderly (65+)</b>	<b>4.9%</b>	<b>4.9%</b>	<b>0%</b>	<b>5%</b>	<b>3.7%</b>
<b>Dependency Ration</b>	<b>57.9</b>	<b>61.9</b>	<b>3.6</b>	<b>61.8</b>	<b>61.6</b>
<b>Sex Ration</b>	<b>85.3</b>	<b>78.3</b>	<b>126.3</b>	<b>86.6</b>	<b>90.3</b>

Table 6: Population by Area Ward 5

Characteristics	Total Population	Young (0-14)	Working Age (15-64)	Elderly (65+)	Dependency Ratio	Sex Ratio	Population Density
Ezinembeni	1965	36.3%	57.5%	6.2%	73.9	78.8	307 persons/km <sup>2</sup>
Mahlabathini	14465	19.8%	76.4%	3.8%	30.9	112.4	22 persons/km <sup>2</sup>

Table 7- Population by Area Ward 6

Characteristics	Diyungu	Makhotovani	Mahlabathini	Mosalega	Sibundla
<b>Total Population</b>	620	2117	259	848	669
<b>Young (0-14)</b>	38.1%	34.8%	39%	37.5%	35%
<b>Working Age (15-64)</b>	56.5%	59.6%	56.8%	58.4%	58.6%
<b>Elderly (65+)</b>	5.5%	5.6%	4.2%	4.1%	6.4%
<b>Dependency Ratio</b>	77.1%	67.8	76.2	71.3	70.7
<b>Sex Ratio</b>	81.8	95.5	104.7	90.1	92.2
<b>Population Density</b>	138 persons/km <sup>2</sup>	977 persons/km <sup>2</sup>	401 persons/km <sup>2</sup>	137 persons/km <sup>2</sup>	307 persons/km <sup>2</sup>



Table 9- Population by Area

<b>Total</b>	956	390	1411
<b>Population</b>			
<b>Young (0-14)</b>	32.6%	34.9%	36.4%
<b>Working Age (15-64)</b>	61.3%	60%	59%
<b>Elderly (65+)</b>	6.2%	5.1%	4.6%
<b>Dependency Ratio</b>	63.2	66.7	69.4
<b>Sex Ratio</b>	86.2	79.3	76.8
<b>Population</b>	302	42	1364
<b>Density</b>	persons/km2	persons/km2	persons/km2

## POPULATION RACE GROUPING

Table 10: Population by Race

Population Group	Hispanic %	Black %	Indian/Asi- an %	White %	Total
<b>Census 2011</b>	94.8 %	0.3%	1.0%	3.7%	100%

The composition of the above population indicates that the youth and females dominates the population group, it is therefore of high importance that the Municipality rolls out programmes that are aimed at empowering this combination of groups.

The diagram below indicate the highest education levels within Mkhambathini. Most of the people living within the area have a high school education. This is due to the fact that there are no tertiary facilities for further learning. Poverty is also a big contributor to people not being able to move to bigger cities to access tertiary facilities.

## EDUCATIONAL LEVEL PER AREA

Table 12- Educational Level by Area

Characteristics	Abetfunzi W2	Kabazini W1	Campephawa W3	Khlabini W1	Ghigaba W7	Butibongeni W7
<b>Total Population</b>	2088	1334	2101	3717	769	577
<b>No schooling aged 20+</b>	24.3%	16.2%	4.3%	13.7	14.7%	27.6%
<b>Higher Education aged 20+</b>	4.5%	2.1%	18%	7.2	3.8%	2.2%
<b>Matric Aged 20+</b>	27.8%	25%	31.9%	17.4%	19.6%	10.2%

Table 13- Educational Level by Area

Characteristics	Egagodini W7	Osinyameni W1	Esitangini W1	E. ambeni W5	Joliba
<b>Total Population</b>	953	1367	2848	1965	1730
<b>No schooling aged 20+</b>	31.1%	8.3%	29.9%	20.4%	25.6%
<b>Higher Education aged 20+</b>	1.8%	6.9%	2.3%	0.4%	0.8%
<b>Matric Aged</b>	21.9%	24.9%	19.6%	25.3%	13.5%

Table 16- Educational Level

	Opportunity R	Opportunity W2	Opportunity W3	Opportunity W6
<b>Total Population</b>	86	660	761	2369
<b>No schooling aged 20+</b>	5%	43.6%	44.8%	17.9%
<b>Higher Education aged 20+</b>	20%	1.3%	2.9%	2.8%
<b>Matric Aged 20+</b>	40%	23.8%	23.1%	24.1%

Table 17- Educational Level by Area

Characteristics	Opportunity R	Opportunity W2	Opportunity W3	Opportunity W6	White City W1
<b>Total Population</b>	956	5922	390	669	1411
<b>No schooling aged 20+</b>	18.3%	18.3%	32.7%	26.8%	9.7%
<b>Higher Education aged 20+</b>	3.6%	4.1%	2.5%	11.2%	4.6%
<b>Matric Aged 20+</b>	31.9%	27.1%	7.4%	17.5%	20.9%



## SANITATION

As well the sanitation services is provided by uMgungundlovu District Municipality and there are two options: the septic tank system utilised in Camperdown areas and Ventilated Pit Improved Latrines (VIP) in rural areas.

Table 19: uMDM Planned Sanitation Projects

Project Name	Project Description	Project Value	Population Served	Ward
Mkhambathini WWTW & Sewer Retic	Construction of Mkhambathini Waste Water Works and Sewer Reticulation	R 59, 115,565.00	9,000 people and 1,500 households	Ward 1
Gulube/Nodwengu VIP Sanitation	Construction of VIP Sanitation	R 14 144 877,00	1751 households	Ward 7

### Access to Improved Sanitation 2011-2016 per Local Municipality within uMgungundlovu District

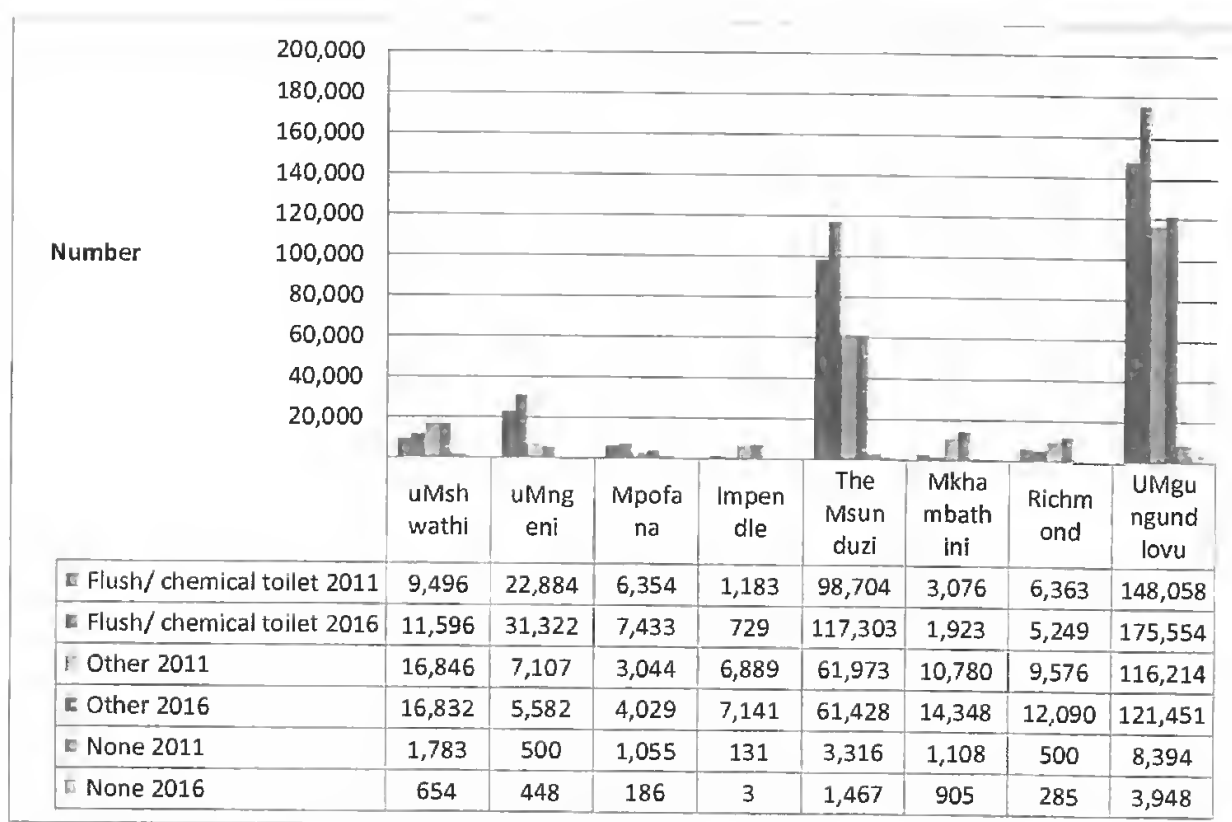


Figure 2- Community Survey 2016 Statistics – Sanitation

### Houses Connected to Electricity per Local Municipality within uMgungundlovu District



Figure 3- Community Survey 2016 Statistics - Electricity Per Local Municipality

The Municipality experience a slight growth in terms of electricity connections between 2011 and 2016. The Municipality is in a process of finalising its own feasibility study to try and fast-track the delivery of electricity.



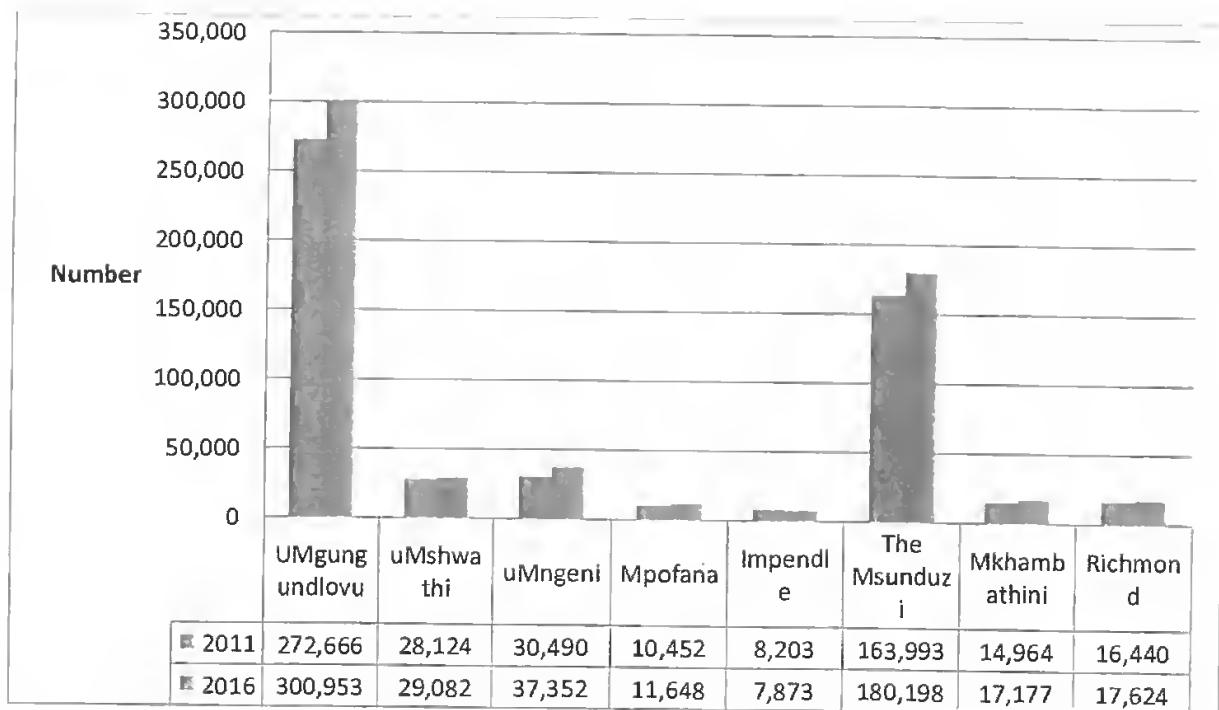


Figure 4 : Community Survey 2016 Statistics - Housing Per Local Municipality



## ROADS

### INTRODUCTION TO ROADS

Gravel access roads are continuously provided within the annual budget and existing roads resealed according to the Pavement Management System which will be reviewed in the 2016/2017 financial year.

The Municipality also assists the communities by grading gravel roads which are damaged due to inclement weather conditions.

Performance Summary of Road infrastructure Services overall in the 2014/2015 and 2015/2016 year is as follows:-

	ROAD NAME	VALUE	WARD	YEAR
1	KwaLubhaqwa Access Road	R 3 027 525.76	6	2014/2015
2	Nkanyezini Access Road	R 1 390 165.66	2	2014/2015
3	Makhalanjalo Access Road	R1 586 730.65	2	2014/2015
4	Qhungashe Access Road	R 2 316 646.69	5	2014/2015
5	Cabbeln Access Road	R 2 734 158.68	6	2014/2015

### Comment on the Performance of Roads Overall

The Municipality has made steady progress on the construction of new roads against the target set. The Municipality constructed 2.7km of road, in 2015/2016.

Table 23- Service Delivery by Category

Characteristics	Changwe	Makolofem	Mabimbatha	Mauzabiyana	Maqongo	Mbila
<b>Total Population</b>	953	1367	2848	1965	1612	1730
<b>Number of Households</b>	189%	274	571	341%	307	353
<b>Average Household size</b>	5	5	4.9	5.8	5.3	4.9
<b>Female headed households</b>	55%	55.5%	45.1%	56.3%	54.1%	65.4%
<b>Formal Dwelling</b>	18.9%	41.1%	44.2%	13.5%	2.3%	6.2%
<b>Housing Owned/paying off</b>	25.4%	50.4%	48.7%	1.5%	7.8%	34.4%
<b>Flush Toilet connected to sewerage</b>	1.1%	1.8%	0.7%	0.6%	2.3%	0.6%
<b>Weekly Refuse Removal</b>	0%	0%	0%	0.6%	1%	0%
<b>Piped Water inside dwelling</b>	4.7%	3.6%	8.2%	0.6%	1.3%	2%
<b>Electricity for lighting</b>	85.2%	93.5%	90.7%	2.9%	12.4%	0.3%

Table 24- Service Delivery by Area

Characteristics	Dwango	Makolofem	Mabimbatha	Mauzabiyana	Maqongo	Mbila
<b>Total Population</b>	620	2117	259	328	1307	1515
<b>Number of Households</b>	126	401	60	73	255	243
<b>Average Household size</b>	4.9	5.1	4.3	4.5	5.1	6.1
<b>Female headed households</b>	65.4%	51.9%	53.3%	50%	57%	61.9%
<b>Formal Dwelling</b>	1.6%	37.9%	10%	21.9	35.5%	2.1%
<b>Housing</b>	15.9%	48.4%	86.7%	39.7	48%	4.5%



## **CHAPTER TWO: GOVERNANCE**

### **COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE**

#### **INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE**

In order to promote accountability to the local community for the decisions made throughout the year by the Municipality as per Section 121 (2)(c) of the Municipal Finance management Act read in conjunction with the Section 18(1)(d) of the Municipal Systems Act, the Municipality has to ensure that the relevant governance structures exist and are functional.

Both political and administrative structures of Municipality need to be fully capacitated in terms of numbers and of skills. In drafting this Annual Report, the intention is not only to comply with relevant legislation but to promote accountability for the decisions that Council undertook in the financial year 2015/16.

Critical to appropriate decision making are mandatory committees that each Council should establish to ensure that the nine characteristics of good governance are adhered to namely: Participation, Rule of Law, Transparency, Responsiveness, Consensus Oriented, Equity & Inclusiveness; Effectiveness and efficiency, Accountability as well as Sustainability. The focus of this Chapter is on Governance Structures, Intergovernmental Relations, Public Accountability & Participation as well as Corporate Governance.



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#### **2.1 POLITICAL GOVERNANCE**

Mkhambathini has functional Executive Committee and Council that meet monthly. The portfolio committees also meet on a regular basis. The Municipal Public Accounts Committee continues to plan the imperative oversight and advisory role to Council to ensure that the Municipality functions are on track.

The Mayor is the head of political governance chairing the Executive Committee as well as the portfolio committee responsible for Finance and Corporate Services. As a Municipality we proud ourselves as having a woman Mayor.

## EXECUTIVE COMMITTEE

	DESIGNATION	FUNCTIONS
	<p>Mayor Cllr. T.E. Maphumulo</p>	<p>The Mayor is tasked with the identification and prioritization of community needs, drafting strategies to deliver those needs and to oversee the delivery of services by the Municipalities Administration, whilst ensuring that Municipal Finances are in good order and the risk factors are minimized.</p> <p>The Mayor is also responsible for recommending and determining the best ways, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.</p>
	<p>Deputy Mayor Cllr. Mkhize</p>	<p>The Deputy Mayor is responsible for ensuring the functionality of ward committees and also overseeing the functional of special programmes of the Municipality. The Deputy Mayor also exercises the powers and performs the duties of the mayor if the Mayor is absent or not available or if the office of the Mayor is vacant. The Mayor may delegate any duties assigned to the Deputy Mayor.</p>


## COMMITTEE ALLOCATION JULY 15 – JUNE 2016


The portfolio Committees are constituted by Councilors from all political parties.

Table 32- Portfolio Committees

COMMITTEE/SUB-COMMITTEE	MEMBERS
EXECUTIVE COMMITTEE	Cllr T.E. Maphumulo (Mayor)
	Cllr C.T. Mkhize (Deputy Mayor)
	Cllr M.R. Ntuli
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	Cllr MM Lembethe (Chairperson)
	Cllr T. A. Gwala
	Cllr H.S. Mtetwa
	Cllr M. Ngcongo
EDUCATION COMMITTEE	Cllr C.T. Mkhize (Chairperson)
	Cllr M.M. Magubane
	Cllr T.Z. Maphumulo
HUMAN RESOURCES COMMITTEE	Cllr C.T. Mkhize (Chairperson)
	Cllr R.N. Mofokeng
	Cllr M.M. Lembethe
	Cllr H.S. Mtetwa
AODL COMMITTEE	Mr S.J. Kunene
	Mr. J. Mathobela
	Mrs H.D. Phoswa

## 2.2 ADMINISTRATIVE GOVERNANCE

	DESIGNATION	FUNCTIONS
	<p>Mrs T. C. Ndlela Municipal Manager</p>	<p>The Municipal Manager is the accounting officer of the Municipality, providing leadership on issues of governance. The Municipal manager heads the Municipal Governance and is a Chairperson of Management Committee. He is responsible for the day-to-day management and administration of the Municipality. The Municipal Manager Operates in terms of the relevant section in the Municipal Structures Act, Municipal Systems Act and the Municipal Finance Management Act. In discharging his responsibilities in the 2015/2016 financial year, the Municipal Manager was assisted by the Management</p>

		Housing Unit and Project Management Unit.
	<p>Mr. F. Lembethe  Manager: Corporate and Administrative Services  (contract ended in November 2015)</p>	<p>The Corporate Services section is made of a number of unit namely, Human Resources Unit, Library Services, Motor Licensing Unit and Security Services Unit. The department is a support unit for all Municipality departments.</p>

### 2.3.2 DISTRICT INTERGOVERNMENTAL RELATIONS

uMgungundlovu District IGR Structures are in existence and functional. The IGR Structures are chaired by respective Municipal Managers as follows:

Table 33- Intergovernmental Relations Structure

CLUSTER	CHAIRPERSON
Mayors Forum	District Mayor
Municipal Managers Forum	District Municipal Manager
Technical and Infrastructure Cluster	Mkhambathini Municipal Manager
Finance Cluster	Mpofana Municipal Manager
Corporate Governance	Richmond Municipal Manager
GITOC	Impendle Municipal Manager
Special Programmes	Mshwathi Municipal Manager
Corporate and Social Services	Msunduzi Municipal Manager
Planning and Development Cluster	uMngeni Municipal Manager

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION



During 2015/2016 financial year, the Municipality had 7 functional ward committees which serve as a conduit between the Municipality and the community. Over and above the existence and functioning of ward committees the Municipality publish its Service Delivery and Budget Implementation Plan on

## WARD COMMITTEE MEETINGS

Table 34- Ward Committee Information

WARD	WARD COUNCILLOR	COMMITTEE ESTABLISHED (YES/NO)	NO OF MEETING HELD	NUMBER OF REPORTS SUBMITTED TO SPEAKERS OFFICE
1	Cllr Zondo	Yes	8	4
2	Cllr Mtethwa	Yes	9	4
3	Cllr Lemberthe	Yes	9	4
4	Cllr Gwala	Yes	8	4
5	Cllr Mkhize	Yes	9	4
6	Cllr Ngcongo	Yes	8	4
7	Cllr Magubane	Yes	9	4

## 2.5 IDP PARTICIPATION AND ALIGNMENT

Table 35- IDP Participation and Alignment

IDP Participation and Alignment Criteria	Yes/No
Does the Municipality have impact, outcome, input, output indicator	YES
Does the IDP have priorities, objectives, KPIs, development strategies?	YES
Does the IDP have multi-year targets?	YES
Are the above aligned and can they calculate into a score?	YES
Does the budget align directly to the KPI's in the strategic plan?	YES
Do the IDP KPIs align to the Section 57 Managers?	YES
Does the IDP KPI lead to functional area KPI's as per the SDBIP?	YES
Does the IDP KPI's align with the provincial KPI's on the 12 Outcomes?	YES
Were the indicators communicated to the public?	YES
Were the four quarter aligned reports submitted within stipulated time frames?	YES
Section 26 of the Municipal Systems Act 2000	

- High Number of indigent families;
- High Number of unemployed Youth;
- Inability to maintain municipal infrastructure;
- Inability to secure own land.

Council took a resolution that Senior Managers take responsibilities of Risk Committee. The Committee is functional and report to the Audit and Performance Management Committee on a quarterly basis.

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## 2.7 ANTI-CORRUPTION AND FRAUD

The Municipality is committed to a free corruption and fraud environment. The Municipality has developed the Anti-fraud policy to guide the Municipality on matters pertaining to fraud, the development of the policy document is an illustration that the Municipality does not tolerate fraudulent or corrupt activities whether internal or external to the Municipality. The Internal Audit Activity assisted in communicating the policy and workshops were conducted.

The Municipality believes that if we are honest and open in our everyday dealings and communications with other people, if we fulfil our commitment at all times and practice trust, tolerance and respect, only then can we achieve dignity and integrity. Every day of our lives we are faced with choices and easy options that are filled with promises of wealth. Make sure our heart and our head agree on the honest choice, however difficult it may be. Remember it is the nature of our environments, which is tempting. We need to take responsibility for our choices. It is becoming increasingly difficult to stay honest and open, especially in light of the ever-changing environment around us. Our only obligation in life is to be true to ourselves and our commitments. In the long run we will achieve more in life than those who sold out their principles for the short-term gain.

We expect people to trust us, and therefore it is up to us to give them the reasons to trust us. Our reputation of today will be based on our actions of the past. Our actions today are the building blocks of our future reputation.

People at our Municipality hold dearly specific rich and positive values. Therefore, our employees' commitment to these values is the only single weapon against corruption and fraud.



## **CHAPTER THREE: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS**

### **COMPONENT A: BASIC SERVICES**

#### **3.1 WATER PROVISION**

##### **INTRODUCTION TO WATER PROVISION**

Communities such as KwaNovuka in Natal, South Africa, are desperately in need of water services. Traditionally, these communities have depended on small springs for water but, with the burgeoning population and the need to share the water with livestock, supply has become both inadequate and prone to water-borne disease.

Aurecon was appointed by the Umgungundlovu District Municipality for the preparation of the business plan to access funding and for the design and site supervision of the KwaNovuka rural water supply project.

The project has two phases: Phase A, and B. Phase A will serve 549 households in the KwaNovuka community. The value of Phase A is estimated at R17 million and some:

- concrete reservoirs (2 x 300 kl and 1 x 180 kl)
- borehole pump-stations, supplying a total of approximately 296 kl/day
- A package water treatment plant
- Almost 60 km of pipeline, including HDPE, uPVC and Klamhon piping.

The Phase B construction contract will supply bulk water to a 500 household Department of Housing Settlements development.

The design and planning of the KwaNovuka project was made more complex by the need to allow for integrating the project into a larger regional water supply scheme, currently being designed by other consultants. For example, the rising main has been designed to allow the pipeline to be used in the future as a gravity pipeline. This change will be implemented once the regional scheme has been completed and tied into the overall KwaNovuka supply network.

## 3.2 ELECTRICITY

### INTRODUCTION TO ELECTRICITY

Mkhambathini area is serviced by Eskom. In the financial year under review the Municipality has been motivated to start to conduct its own survey in terms of electricity distribution backlog. This will assist in ensuring that the Municipality reach atleast 95% of its community in providing the services.

## 3.3 WASTE MANAGEMENT (THIS SECTION INCLUDE: REFUSE COLLECTIONS, WASTER DISPOSAL, STREET CLEANNING AND RECYCLING)

Waste Management with Mkhambathini Municipality includes, refuse removal and street cleaning. The Municipality has established a working relationships with various environmental organisations such as DUCT, WESSA and uMngeni Water this is to foster environmental management. The Municipality is currently running a waste management project through EPWP.

The Municipality is putting plans in place to clear all illegal dumping and this will assist in enforcing the Municipal By-Laws

Table 37 : Employee Solid Waste

Employee Solid Waste Management by Grades					
Job Level	Year-1	Year 0			
	Employee No	Post No	Employee No	Vacancies	Vacancies as a % of total posts
0-3	-	-	-	-	-
4-6	1	1	1	1	0%
7-9	-	-	-	-	-
10-12	7	7	7	7	0%
13-15	-	-	-	-	-
16-18	-	-	-	-	-
19-20	-	-	-	-	-
TOTAL	8	8	8	8	0%

### 3.7 ROADS

#### INTRODUCTION TO ROADS

The Municipal road projects were identified during the Mayoral Izimbizo's wherein they were prioritised and included in the IDP as a planning tool. The Municipality as part of its initiative to fast-track service delivery the roads were designed and G through the MIG as commitment for the three (3) year cycle. The Municipality was in a position to finalise all the two prioritised roads within the stipulated time frame. The Municipality has put together a maintenance plan to ensure that the Municipal Roads are well serviced.

Road Infrastructure rehabilitation and maintenance continue to be a challenge as there are still backlogs resulting from limited funding. The Municipality has set aside R3000 000.00 for roads rehabilitation in the 2016/2017 financial year.

The roads rehabilitation plan for the Municipality will go a long way in improving the condition of our roads.

#### COMMENT ON THE PERFORMANCE OF TRANSPORT OVERALL

The Municipality does not own public transport. The community relies on private mini bus taxis and privately owned bus services.

### 3.10 PLANNING AND DEVELOPMENT

The Municipality is approximately 90% rural with one formalised town within which the economic activities take place.

- The Municipality owns at least 10 plots of land, with the Ngonyama Trust Land owning at least 40% and 40% is privately owned and 20% community trust.
- A large portion of the population lives in poverty and is dependent on social grants.
- The Municipality is in a process of drafting its Local Economic Development Strategy with an aim to unlock and attract investment to the area.

The Municipality is ensuring that the bylaws are enforced. Furthermore the Municipality has adopted an indigent policy which seeks to ensure that the Municipality provides free basic services across.

Table 38 : Planning Objectives Taken from the IDP

Planning Policy Objective Taken from the IDP				
Service Objective				
Service Indicators				
(i)	(ii)	(v)	(vi)	(vii)
<b>Service Objective</b>				
To build an efficient and sustainable local government structure	Equitable Access to infrastructure	Create condition conducive to economic development	Sustainable and integrated land use patterns	Promote sustainable social and economic development

## COMMENT ON LOCAL ECONOMIC DEVELOPMENT

Table 40 : Jobs Created through EPWP Projects

Job Created through EPWP Projects		
Details	EPWP Projects No.	Job Created through EPWP projects No.
Year -2	2	80
Year -1	4	100
Year -0	4	15

Table 41 : Employee Local Economic Development Services

Employees: Local Economic Development Services					
	Year -1	Year 0			
Job Level	Employee No	Post No	Employee No	Variance (fulltime equivalents)	Vacancies (as a % of total posts) %
0-3	-	-	-	-	0%
4-6	-	-	-	-	0%
7-9	-	-	-	-	0%
10-12	-	-	-	-	0%
13-15	1	1	1	0	0%
16-18	-	-	-	-	0%
19-20	-	-	-	-	0%
Total	1	1	1	0	0%

## **CHILDREN**

As a way of promoting Early Childhood Development (ECD), the Municipality handed over 2 ECD centres in Ward 1 and Ward 3. The Ward 1 ECD was donated with the following items:

- Educational materials
- Heater
- Toys
- Blankets and sponges
- Tables and chairs

The Municipality also hosted the Children's Day as well as the Senior Citizen's event on 04 December 2015.

## **CHILD CARE FACILITIES**



*Figure 7 Ingquza Creche*

## **LIBRARY**

A main library is located in town while satellite libraries are found in Ward 1 and Ward 7. Provision of library in other wards within the Municipality should be prioritised given the structure of the population and lack of such facilities in the area.



The Municipality has a challenge of maintaining the library in town as a main administrative centre thereby catering sufficient facilities. As need has been identified to expand or develop a cultural precinct which will accommodate other government services. Satellite Libraries are also considered as a priority for the Municipality especial in the rural areas.

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## **SPECIAL PROGRAMMES**

During 2015/16, the following activities were implemented for the special programmes:

### **3.12.1 YOUTH**

- 7 youth assisted with learner registration fees at the Institutions of Higher Learning;
- 7 Youth participated in the EPWP Social Sector Sport Star programme;
- Mkhambathini hosted a Matric Prayer and a career exhibition in October 2015;
- A workshop in Leadership was provided for the Youth Council of Mkhambathini;
- 10 youth participated in the Mkhambathini's EPWP "My job My future" programme which is an Internship programme implemented within the office spaces of Mkhambathini Municipality;
- Youth of Mkhambathini formed the majority of participants in the other EPWP projects as well as in the Community Work Programme implemented in Mkhambathini;

### 3.12.3 HIV AND AIDS

Through various initiatives and structures led by the Community Services Department in the Municipality, the fight against HIV/Aids remain a priority. Mkhambathini works very closely with the Department of Health, uMgungundlovu District, the Office of the Premier, Civil society and other stakeholders in coordinating the activities relating to HIV/Aids through structures such as the Local Aids Council (LAC) and Ward Aids Council (WAC). The Mayor of Mkhambathini is also a political champion of Operation Sukuma Sakhe local task team of the Municipality. These structures exist in order to fight discrimination against people living with HIV, provide support and create an enabling environment for them to not lose hope and to continue being a productive society in the communities they live in. A number of trainings and workshops were held during the year under review for Traditional healers and members of WAC.



*Figure 8 : Local Ward Aids Council Exhibition*

Local Aids Council meeting was held on 19 February 2015 at Mkhambathini Council Chambers.

Peer Educators Training (Learner Support Agent) LSA

- The Municipality had an EPWP project in partnership with the Department of Education
- The EPWP project was an employment generating initiative aimed at providing stipends to volunteers for the work they have been tasked to do at a given time during the duration of their temporary employment.





*Figure 9 : Transnet Mobile Clinic*

Transnet/uMgungundlovu Project uMgungundlovu has engaged to partner with Transnet on issues affecting Teenage health.

- Mbambangalo (30 girls) and Mabovini High School (36 girls) were the beneficiaries of the teenage project;
- On 7 September 2015 66 girls were hosted by Transnet on a one day interacting workshop at Mbambangalo High School in Ward 1 where they talked to the girls about general topics, like recognizing their beauty and being proud of who they are and specific topics about how their body changes, menstruation, teenage pregnancy and self-esteem;
- 36 were from Mabomvini and were transported by the Municipality to attend the phase 1 day interactive workshop;
- All girls were given each a 'goodie bag' containing booklets with information discussed during the workshop, soap, toothpaste and toothbrush, roll-on deodorant, hand sanitizc and a menstruation cup.

The Local Aids Council of Mkhambathini hosted a 16 days of activism against gender – based violence campaign under the theme: "Rise, Act and Protect" at Abebhuzi Community Hall on 09 December 2015.

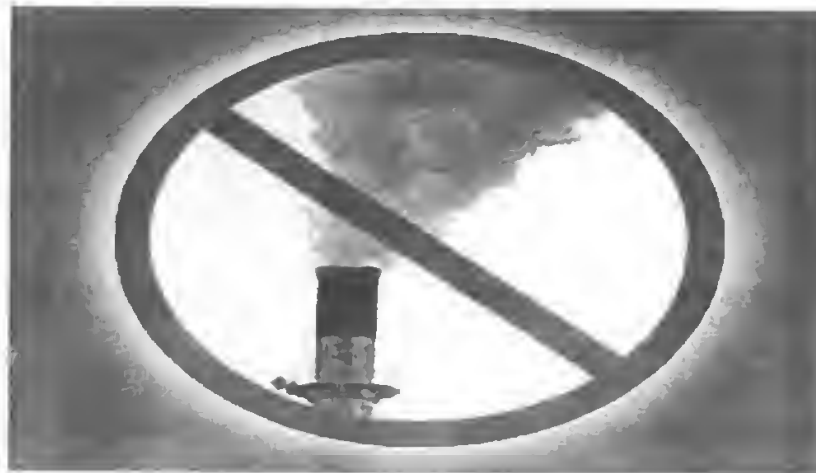
#### **3.12.4 OPERATION SUKUMA SAKHE**

OSS is the whole of government approach which includes government departments, development partners, civil societies and communities that seeks to address issues such as poverty, crime, HIV/AIDS, food insecurity and other social ills. It aims to engage every member of the community to embrace and

## COMPONENT 2: ENVIRONMENTAL PROTECTION

### 5.1 POLLUTION CONTROL

Pollution control for Mkhambathini Municipality is supported by uMgungundlovu District Municipality as well as the Department of Agriculture and Environmental Affairs as there is currently no staff dealing directly with pollution control. All support is provided by the department as well as the district



*Figure 10: No to Air Pollution*

### 5.2 BIO-DIVERSITY: LANDSCAPE AND OTHER

Guidance is obtained from uMgungundlovu District Municipality SEA and SEMP,. Although general in nature it covers an intensive area, the principles embodied therein are incorporated into both the SDF and Rural Land Use Policy which highlights sensitive areas.

## **COMPONENT B: SPORTS AND RECREATION**

This component includes: Community Parks and Sports Fields.

### **7.1 SPORTS AND RECREATION**

The sports and recreation falls within the youth office. The component is managed by the Youth Coordinator. The aim of Sports and Recreation is to improve social cohesion and healthy lifestyles of communities.

The Municipality continues to participate in the Provincial Senior Citizens Golden games coordinated by the Department of Sport and Recreation. The Municipality also facilitates and coordinates the participation of its athletes in the SALGA Games, under the various sporting codes, through uMgungundlovu District. Mkhambathini Municipality's performance in the uMgungundlovu District Games held in September 2016 was excellent and the Municipality received the first position overall. Athletes forming part of the District Teams participated in the SALGA Provincial Games which were hosted by Ilembe District in December 2015.

The Municipality continues to maintain community parks and a number of sports field within each ward.

## **COMPONENT C: CORPORATE POLICY OFFICES AND OTHER SERVICE**

### **INTRODUCTION TO CORPORATE POLICY OFFICES**

The Municipality has developed and adopted numerous policies that guides its operations ranging from Human Resource to information and communication technology.

## **COMMENTS ON FINANCIAL SERVICES**

Revenue collection remains a challenge with the debtors amounting to R15 568 296 at the end of June 2016. In order to address this the Municipality will further strengthen the implementation of debt collection policy. The Municipality will introduce a procurement plan which will support MSCOA requirements.

Furthermore the CFO and the SCM unit will ensure the implementation and adherence to the systems in place in order not to incur any unauthorised and irregular expenditures.

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### **8.3 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES**

This component includes: Information and Communication Technology (ICT) services. One of the major highlights in the year under review was the revamp and completion of the Municipality's Website which is now operational and easily accessible to all. The unit was further able to improve the Server capacity to ensure smooth implementation of MSCOA.

The ICT services has an IT governance framework which is implemented through the master systems plan. This plan is aimed at ensuring that the Municipality has the necessary system in place to ensure that the Municipality's performance improves.

The Municipality is investigating the move to automated reporting for complaints management, performance management and audit system

## **COMMENTS ON INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES**

Budgetary constraints limits the provision of qualitative service delivery versus implementation of certain projects for automated document management, complaints management and performance management.

The Municipality through the assistance of the steering committee drew a plan to facilitate the project that were outstanding at the end of the financial year.

Local Economic Development	1	1	1	0	0
Disaster	1	1	0	1	
Community and Social Services	10	10	7	3	
Technical Services	22	30	23	7	
Finance	13	20	13	7	
Corporate Policy Offices and Others.	25	33	25	8	
<b>Total</b>					

Vacancy Rate			
Designation	Total Approved Posts No.	Vacancies (Total time that vacancies exist using fulltime equivalent) No.	Vacancies as a proportion of total posts in each category (%)
Municipal Manager	1	0	0%
Chief Financial Officer	1	0	0%
Other S57 Managers (excluding Finance Posts)	3	2	66%
<b>Total</b>	<b>5</b>	<b>2</b>	<b>0%</b>

### Turn Over Rate

Table 45 : Turn Over Rate

Turn Over Rate			
Details	Total Appointments as of the beginning of the reporting Year No.	Total appointments during the reporting Year No.	Turn Over Rate
	<b>6</b>	<b>2</b>	<b>8</b>

Table 47 : Employee Sick Leave

Salary Band	Total Sick Leave Days	Proportion of Sick leave without medical certification %	Employee using sick leave	Total Employee In posts	Average Sick leave per employee days	op/d
Lower skilled ( level 11-12)	185		Yes	36	5.1	
Skilled (level 6-9)	218		Yes	37	6	
High Skilled Production (level 3-4)	123	10%	Yes	9	14	
High Skilled Supervision (level2)	0	0	0	0	0	0
MM and Sec 56	27		yes	3	9	
Total	553			85	7	

#### COMMENT ON INJURY AND SICK LEAVE:

During the financial year under review, there were no injuries on duty. The sick leave is estimated at xxxx%.

There were no suspension or any pending cases of fraud and corruption.

## **CHAPTER FIVE: REPORT OF THE AUDITOR GENERAL'S – AND AUDITED FINANCIAL STATEMENTS FOR 2015-2016**

### **Auditor General's Report**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mkhambathini Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DORA.

### **Additional Matters**

7. I draw attention the matter below. My opinion is not modified in respect of these matters.

### **Unaudited Disclosure Notes**

8. In terms of Section 125 (2) of the MFMA the Municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statement and accordingly I do not express an opinion thereon.

### **Unaudited Supplementary Schedules**

9. The supplementary information set out on page xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

### **Report on other legal and regulatory requirements**

10. in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objective presented in the annual performance report, compliance with legislation and internal control. The objective of

18. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the basic service delivery and infrastructure development objective. As management subsequently corrected the misstatements, I not raised any material findings on the usefulness and reliability of the reported performance information.

#### **Unaudited supplementary Schedules**

19. The supplementary information set out on page xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

#### **Compliance with Legislation**

20. I performed procedures to obtain evidence that the Municipality complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

#### **Annual Financial Statement**

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of Section 12 of the MFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

#### **Expenditure Management**

22. Reasonable steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by the Section 62 (1) (d) of the MFMA.

#### **Internal Control**

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant





# **Mkhambathini Municipality**

*For the Community*

**Mkhambathini Municipality  
Annual Financial Statements  
for the year ended 30 June 2016**

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

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## Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Report

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The Accounting Officer submits her report for the year ended 30 June 2016.

### 1. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### 2. Accounting Officer

The Accounting Officer of the Municipality during the year and to the date of this report is as follows:

Name	Nationality	Appointment Date
Mrs. T.C. Ndlela	South African	15 October 2015

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015
			Restated*
<b>Revenue</b>			
Commissions received - Insurance Premiums		12,714	12,173
Other income	15	591,207	397,478
Interest received	16	4,117,139	2,029,073
Property rates	17	11,826,508	11,603,328
Government grants & subsidies	18	74,971,569	65,339,740
Fines, Penalties and Forfeits		92,650	31,550
Licenses and permits		3,860,691	3,946,205
<b>Total revenue</b>		<b>95,472,478</b>	<b>83,359,547</b>
<b>Expenditure</b>			
Employee Related Cost	19	(21,594,770)	(21,411,323)
Remuneration of councillors	20	(4,619,711)	(4,492,358)
Contributions to Medical Aid and Long Service Awards	21	(621,493)	(377,45)
Depreciation and amortisation		(5,587,825)	(4,626,666)
Impairment loss/ Reversal of impairments		(719,376)	(2,145,300)
Debt Impairment	22	(1,726,574)	(2,258,175)
Collection costs		-	(15,886)
Repairs and maintenance		(860,218)	(976,466)
Grants and subsidies Expenditure		(5,458,838)	(7,734,332)
General Expenses	23	(19,619,161)	(14,018,294)
<b>Total expenditure</b>		<b>(60,807,966)</b>	<b>(58,056,293)</b>
Operating surplus/deficit		-	-
Surplus before taxation		34,664,512	25,303,254
Taxation		-	-
<b>Surplus for the year</b>		<b>34,664,512</b>	<b>25,303,254</b>

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		1,687,974	(1,111,866)
Sale of goods and services		16,986,023	13,224,644
Grants		74,086,922	65,775,151
Interest Received		1,875,411	1,972,415
		<u>94,636,330</u>	<u>79,860,344</u>
<b>Payments</b>			
Employee costs		(21,594,770)	(21,411,323)
Remuneration of Councillors		(4,619,711)	(4,492,358)
Cash Paid to Suppliers		(26,863,202)	(23,921,913)
		<u>(53,077,683)</u>	<u>(49,825,594)</u>
Total receipts		94,636,330	79,860,344
Total payments		(53,077,683)	(49,825,594)
<b>Net cash flows from operating activities</b>	27	<b>41,558,647</b>	<b>30,034,750</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(18,260,917)	(20,996,851)
Proceeds from sale of property, plant and equipment	4	36,991	4,500
Purchase of other intangible assets	5	(687,932)	-
<b>Net cash flows from investing activities</b>		<b>(18,911,858)</b>	<b>(20,992,351)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,646,789</b>	<b>9,042,399</b>
Cash and cash equivalents at the beginning of the year		14,613,590	5,571,191
<b>Cash and cash equivalents at the end of the year</b>	10	<b>37,260,379</b>	<b>14,613,590</b>

## Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

Operating surplus before capital expenditure	1,069,380	3,058,000	4,127,380	34,664,512	30,537,132	
Transfer recognised - Capital	19,301,000	-	19,301,000	18,948,848	(352,152)	(o)
Surplus or (Deficit) for the year after capital expenditure	20,370,380	3,058,000	23,428,380	53,613,360	30,184,980	

## **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

- (l) Repairs and maintenance – Only crucial repairs and maintenance was carried out. The appointment of Technical Services Manager with prioritize repairs and maintenance
- (m) Grant and subsidy expenditure – Electrification was not fully spent, small amounts were unspent on FMG, EPWP and the library grant.
- (n) General expenditure – Underspending is due to implementation of National Treasury's circular on cost containment.
- (o) Capital Expenditure - It is spent in accordance with Capital Budget.

## **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The Subsequent measurement of investment properties is carried at cost (Cost Model) .

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

#### **Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

<b>Item</b>	<b>Useful life</b>
Property - land	indefinite
Property - buildings	20 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

#### **1.2 Investment property**

The net proceeds received or receivable on disposal is initially recognised at fair value.

#### **Transfer**

Where the Municipality over time changes its use of property, the classification of the property may need to change. This means that the property may need to be transferred to or from investment property depending on the nature of the change.



# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.3 Property, plant and equipment**

Property, plant and equipment is initially measured at cost. Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses ( Cost Model)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

## **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g. by sale, by entering into a finance lease or through a non-exchange transaction)

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### **Transfer of Property, Plant and equipment**

Upon the completion a transfer is made from work in progress to asset.

#### **Capital Work in Progress**

Capital work in progress (WIP) represent the cost of construction work on assets which are not yet completed as at the end of the financial year.

WIP costs are accounted for an accrual basis at cost or fair value given in acquiring or constructing the assets. Under the accruals basis of accounting, cost are recognized when incurred, usually when goods or services are consumed and not necessarily when such goods or services are actually paid for.

Cost is the amount of cash or cash equivalent paid, including imports duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

Fair Value is the amount for which an assets could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transactions.

The Cost or Fair value of an item of WIP is recognised as an assets if and only if:

- (a) It is probable that the future economic benefits associated with the item will flow to the entity; and
- (b) The cost of the item can be measured reliable.

WIP assets are not depreciated until they ready for their intended use.

Upon completion, WIP assets are reclassified to the appropriate asset class and at this stage depreciation commences. The following is disclosed in the financial statements in respect of WIP:

- (a) The amount of expenditure recognised in the carrying amount in the course of construction ;and

# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.4 Financial instruments**

#### **Initial recognition and measurements**

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The Municipality classifies financial instruments, or their component parts, on initial recognition as a financial assets, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available - for - sale financial assets.

For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

#### **Receivables from exchange transaction.**

Trade receivables are measured at initial recognition at fair value... Trade and other receivables are classified as receivables.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value ,and are subsequently measured at amortised cost ,using the effective interest rate method liabilities are generally settled within the period of 30 days, accordingly, any impairment, if any ,are considered to be immaterial.

## **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Useful life is either:

- (a) the period of time over which an asset is expected to be used by the Municipality; or
- (b) The number of production or similar units expected to be obtained from the asset by the Municipality.

Criteria developed by the Municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Municipality also test a cash-generating intangible

# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **Reversal of impairment loss**

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

its recoverable amount (if determinable); and

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

- (a) the period of time over which an asset is expected to be used by the Municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the Municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

Standard of GRAP on Revenue from Exchange Transactions.

### **1.12 Revenue Recognition**

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### **1.13 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

### **1.14 Comparative information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and the reason for the reclassification is disclosed.

### **1.15 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.17 Irregular expenditure**



# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.20 Presentation of budget information (continued)**

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.21 Related parties**

The Municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

GRAP 107 : Mergers

01 July 2015

Immediate

GRAP 2 : Cash flow Statement	01 July 2015	Immediate
GRAP 3 : Accounting Policies ,Change in accounting Estimates and Errors	01 July 2015	Immediate
GRAP 9 : Revenue from Exchange Transactions	01 July 2015	Immediate
GRAP 13 : Leases	01 July 2015	Immediate
GRAP 23 : Revenue from non - exchange Transaction	01 July 2015	Immediate
GRAP 31: Intangible Assets	01 July 2015	Immediate
GRAP 25 : Employee Benefits	01 July 2015	Immediate
GRAP 18: Segment Reporting	01 July 2015	Immediate
GRAP 16 (as amended 2015): Investment Property	01 July 2015	Immediate
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 July 2015	Immediate
GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 July 2015	Immediate
GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 July 2015	Immediate

### 3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5,251,600	-	5,251,600	5,251,600	-	5,251,600

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	9,938,615	-	-	-	(367,395)	-	9,571,220
Capital Work in Progress	22,189,875	16,880,611	-	(22,178,265)	-	(230,481)	16,661,740
Furniture and fixtures	3,241,895	1,380,306	(152,606)	-	(671,247)	-	3,798,348
Infrastructure	28,370,448	-	-	7,180,596	(2,214,724)	-	33,336,320
Community Assets	30,734,208	-	-	14,997,668	(2,296,690)	(488,895)	42,946,291
	<b>94,475,041</b>	<b>18,260,917</b>	<b>(152,606)</b>	<b>-</b>	<b>(5,550,056)</b>	<b>(719,376)</b>	<b>106,313,919</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	7,489,378	201,049	-	(247,000)	2,859,363	(364,175)	-	9,938,615
Capital Work in Progress	12,976,188	17,109,112	-	-	(7,895,425)	-	-	22,189,875
Furniture and fixtures	3,208,874	823,072	(8,059)	-	-	(590,146)	(191,846)	3,241,895
Infrastructure	29,404,396	712,249	-	-	-	(1,746,197)	-	28,370,448
Community Assets	26,525,219	3,020,560	-	-	5,036,062	(1,894,178)	(1,953,455)	30,734,208
	<b>79,604,055</b>	<b>21,866,042</b>	<b>(8,059)</b>	<b>(247,000)</b>	<b>-</b>	<b>(4,594,696)</b>	<b>(2,145,301)</b>	<b>94,475,041</b>

### 5. Intangible assets

	2016	2015
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# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 6. Operating lease asset and liabilities

Current assets	72,875	61,366
Current liabilities	(4,153)	(13,671)
	<u>68,722</u>	<u>47,695</u>

### 7. Receivables from exchange transactions

Other debtors	<u>180,715</u>	<u>875,764</u>
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### 8. VAT receivable

VAT	<u>355,277</u>	<u>2,043,251</u>
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### 9. Consumer debtors

Gross balances		
Rates	<u>15,568,296</u>	<u>12,235,276</u>

Less: Allowance for impairment

Net balance

#### Rates

30 days	946,206	675,674
60 days	518,933	711,906
90 days	516,419	587,341
120 days	507,697	649,506
150 days	465,241	438,338
180 Days	10,431,003	7,364,221
Debtors Discounting	(3,281,274)	(2,315,238)
Provision for Bad Debt	(3,335,555)	(2,575,096)
	<u>8,951,467</u>	<u>7,345,021</u>

#### Reconciliation of allowance for impairment

Contributions to allowance	(1,726,574)	(2,258,175)
	<u>(6,616,829)</u>	<u>(4,890,255)</u>

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>11. Unspent conditional grants (continued)</b>		
<b>Movement during the year</b>		
<b>Municipal systems improvement grant</b>		
Opening balance	-	9,520
Current year receipts	930,000	934,000
Conditions met - transfer to revenue	(930,000)	(943,520)
Conditions still to be met - transfer to liabilities	-	-
<b>MAP grant</b>		
Opening balance	47,028	47,028
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	47,028	47,028
<b>Community development workers</b>		
Opening balance	11,225	11,225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	11,225	11,225
<b>Corridor development</b>		
Opening balance	-	205,999
Conditions met - transferred to COGTA	-	(205,999)
Conditions still to be met - transfer to liabilities	-	-
<b>Financial management grant</b>		
Opening balance	271,157	15,827
Current year receipts	1,800,000	1,800,000
Conditions met - transfer to revenue	(2,070,106)	(1,544,670)
Conditions still to be met - transfer to liabilities	1,051	271,157
<b>Housing grant</b>		
Opening balance	444,068	444,068
Current year receipts	593,206	-
Conditions still to be met - transfer to liabilities	1,037,274	444,068
<b>Lums grant</b>		
Opening balance	46,537	46,537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	46,537	46,537
<b>Current year receipts</b>		1,090,112
Conditions met - transfer to revenue	16,851,000	16,251,000
Conditions still to be met - transfer to liabilities	(16,851,000)	(17,341,112)

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 11. Unspent conditional grants (continued)

#### Electrification

Opening balance	3 232,856	1 746,008
Current year receipts	2,000,000	5,000,000
Conditions met - transfer to revenue	(3,694,189)	(3,513,152)
Conditions still to be met - transfer to liabilities	<u>1,538,667</u>	<u>3,232,856</u>

#### Expanded Public Works Programme Grant

Current year receipts	1,058,000	1,132,000
Conditions met - transfer to revenue	(1,012,039)	(1,132,000)
Conditions still to be met - transfer to liabilities	<u>45,961</u>	<u>-</u>

#### Library Grant

Current Year receipt	1,244,000	681,000
Conditions met - transfer to revenue	(801,145)	(681,901)
Contributions still to be met - transfer to liabilities	<u>442,855</u>	<u>-</u>

#### LGSETA

Conditions met - transfer to revenue	(43,131)	(31,669)
	<u>-</u>	<u>-</u>

#### DSD - Social Development Grant

Conditions met - transfer to revenue	-	(11,956)
	<u>-</u>	<u>-</u>

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the Municipality has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities. These amounts are invested in a separate bank account and are supported by cash in the bank.

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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### 12. Provisions (continued)

#### Post-retirement medical benefits

#### POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The main assumptions used by the actuary are:

2016 (R millions)	2015 (R millions)
Discount rate per annum	9.88% Yield Curve
Health care cost inflation rate	8.85% CPI +1
Net effective discount rate	0.95% Yield curve based
Post-Retirement subsidy	
Retirement age	
Males	65
Females	65
Mortality during employment	SA 85-90 Ultimate Mortality Table
Mortality post retirement	PA90-1 Ultimate Mortality Table .
Number of in-service non-member	0
Number of in-service members	51
Number of pensioners	0
No. of Active employees	0

Accrued liability at 30 June	1,697,483	1,285,000
Future - service cost	129,000	173,457
Interest cost	124,000	112,415
Expected benefits payments/ Change in assumption	0	100,586
Actuarial loss/(gain)	159,483	39,242
Total annual expense	253,000	146,044
Projected accrued liability at 30 June ensuing year	1,950,483	1,538,000
Accrued liability at 30 June	1,697,483	1,285,000
Short term portion of accrued liability	-	-
Long term portion of accrued liability	1,697,493	1,285,000
	Liability	Liability
The effect on the liability of a 1% change in the assumed rate of medical inflation:	(R millions)	(R millions)
Central assumptions	1,697	0
1% increase in assumed medical inflation	1.793	1.025
1% decrease in assumed medical inflation	1,561	0.968



# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Revenue</b>		
Commissions received	12,714	12,173
Other income	591,207	397,478
Interest received - investment	4,117,139	2,029,073
Property rates	11,826,508	11,603,328
Government grants & subsidies	74,971,569	65,339,740
Fines, Penalties and Forfeits	92,650	31,550
Licenses and permits	3,860,691	3,946,205
	<b>95,472,478</b>	<b>83,359,547</b>

The amount included in revenue arising from exchanges of goods or services are as

follows:

Other income	591,207	397,478
Interest received - investment	4,117,139	2,029,073
	<b>4,721,060</b>	<b>2,438,724</b>

The amount included in revenue arising from non-exchange transactions is as follows:

### Taxation revenue

Property rates

### Transfer revenue

Government grants & subsidies	74,971,569	65,339,740
Fines, Penalties and Forfeits	92,650	31,550
Licenses and Permits	3,860,691	3,946,205
	<b>90,751,418</b>	<b>80,920,823</b>

### 15. Other income

Operating lease income	77,058	73,072
Library Income	20,007	18,485
Clearance Certificates	16,289	9,315
Subscription Library	-	35
Tender Fees	80,795	84,709
Building Plan ( Plan Fees)	247,663	179,619
Income - Excess Cards	-	120
Other income	139,768	-
Planning Application Fee	9,627	17,737
Enforcement	-	14,386
	<b>591,207</b>	<b>397,478</b>

### 16. Interest received

#### Interest revenue

Interest earned from investments	1,875,411	905,810
Interest charged on trade and other receivables	2,241,728	1,123,263
	<b>4,117,139</b>	<b>2,029,073</b>
	-	-
	<b>4,117,139</b>	<b>2,029,073</b>

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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2015

### 19. Employee related costs

Basic	13,783,855	14,442,228
Bonus	887,591	926,537
Medical aid	1,097,113	835,463
UIF	118,764	99,732
SDL	184,800	161,441
Leave pay provision charge	722,475	807,689
Phone Allowance	44,304	41,600
Defined contribution plans	2,357,828	1,792,793
Travel, motor car, accommodation, subsistence and other allowances	237,456	269,000
Overtime payments	1,174,534	1,034,305
Acting allowances	42,291	136,857
Housing benefits and allowances	148,805	57,178
Bargaining Council Contributions	6,954	5,500
Stipend - Ward Committee	788,000	801,000
	<b>21,594,770</b>	<b>21,411,~</b>

### Remuneration of Municipal Manager

Annual Remuneration	635,482	137,730
Travel Allowance	51,456	24,000
Other Allowances	1,487	419,895
Leave Pay	-	159,704
Cellphone allowance	12,864	8,000
	<b>701,289</b>	<b>749,329</b>

The Municipal Manager was appointed w.e.f 15 October 2015

### Remuneration of Chief Finance Officer

Annual Remuneration	720,755	637,000
Travel Allowance	72,000	66,000
Other Allowances	386	409
Back Pay	12,978	-
Cellphone Allowance	9,600	8,800
Acting Allowance	-	5
	<b>815,719</b>	<b>717,400</b>

### Remuneration of Manager of Community Services

Annual Remuneration	697,955	672,000
Travel Allowance	84,000	84,000
Back Pay	12,978	-
Other Allowances	11,186	13,949
Cellphone Allowance	9,600	9,600
	<b>815,719</b>	<b>779,549</b>

### Remuneration of Manager Technical Services

Annual Remuneration	-	175,000
Travel Allowance	-	35,000
Leave Pay	-	149,501
Other Allowances	-	237,525
Cellphone Allowances	-	5,600
	<b>-</b>	<b>602,626</b>

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>23. General expenses</b>		
Materials	28,855	48,926
Advertising	147,775	228,867
Auditors remuneration	1,187,514	1,083,457
Pound Security	60,000	89,417
Face Value - Licence Card Renewals	314,244	185,733
Legal Expenses	463,445	205,724
Consumables	269,717	226,357
Valuation Fees	289,035	23,333
Landfill Site Fees	177,317	169,066
Loss on sale of an asset	115,615	-
Rentals	373,615	399,689
Insurance	802,035	167,854
Community development and training	4,709,959	3,582,376
Conferences and seminars	254,123	226,582
Interest Paid	208,555	139,369
IT expenses	366,493	515,844
Levies - Kwa Naloga	500,000	500,000
Magazines and Periodicals	40,877	46,600
License Renewal	17,868	17,176
Disaster Management	348,039	303,338
Fuel and oil	377,195	512,132
Postage and courier	30,837	28,631
Printing and stationery	627,770	320,215
Art & Culture	364,915	262,430
Protective clothing	134,481	94,246
Security Charges - Banking	88,149	47,557
Telephone and fax	541,197	512,763
District Shared Services Contribution	192,065	-
Training and Development	515,437	528,750
Subsistence and Travelling	89,506	19,357
Electricity	650,519	640,931
Tourism development	18,600	26,756
Tracker Subscription	25,797	-
Building Control	73,941	82,122
Sport and Recreation	1,179,774	850,248
Civic and Hospitality	165,300	153,088
Vat Correction - Prior Year	-	134
Consultants Fees	2,401,461	1,532,612
Other expenses	1,467,136	246,614
	<b>19,619,161</b>	<b>14,018,294</b>

### 24. Auditors' remuneration

External Audit Fees	1,187,514	1,083,457
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### 25. Operating lease commitments (lessee)

Operating Lease payment rentals payable by the Municipality for certain office photocopying machines. Leases are negotiable on an average term of five years. Lease rentals escalates by 10 % per annum over the period of lease.

Operating Lease - as lessee (Expense)

#### Minimum Lease Payment Due

Within 1 year	108,427	108,427
Between two to five years	153,604	262,031
	<b>262,031</b>	<b>370,458</b>

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 28. Capital Commitments

#### 24.1. Committed in respect of Capital Expenditure Already

contracted for but not provided for

Road Infrastructure

Community Infrastructure

441,091

740,030

2,516,270

3,470,237

2,957,361

4,210,267

#### Not yet contracted for and authorised by accounting officer

Community Infrastructure

Road Infrastructure

10,901,826

13,351,000

4,724,174

3,500,000

15,626,000

16,851,000

#### Total capital commitments

Already contracted for but not provided for

Not yet contracted for and authorised by accounting officer

2,957,361

4,210,267

15,626,000

16,851,000

18,583,361

21,061,267

#### Revenue from Exchange Transaction

##### Approved and contracted for

Contracted Services

Electrification

1,352,748

3,137,335

1,538,667

-

2,891,415

3,137,335

##### Approved and not contracted for

Electrification

- 11,161,218

#### Total operational commitments

Already contracted for but not provided for

Not yet contracted for and authorised by accounting officer

2,891,415

3,137,335

- 11,161

2,891,415

14,298,5

#### Total commitments

##### Total commitments

Authorised capital expenditure

Authorised operational expenditure

18,583,361

21,061,267

2,891,415

14,298,553

21,474,776

35,359,820

#### Operating lease commitment (lessor)

##### Minimum lease payments due

- within one year

- in second to fifth year inclusive

- later than five years

68,572

68,572

274,289

274,289

68,572

137,145

411,433

480,006

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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13. Legal Assistance with expropriation of Poortje Farm - Council is attempting to expropriate land for housing projects.

The expected costs are R 100 000

### 30. Related parties

Relationships:

Employee of the Municipality:

Mr Shange

#### Related party transactions Purchases from related parties

Mr. M.S. Shange

36,000 36,000

During the year the Municipality traded with an employee, Mr. M.S. Shange who provided his firearm for official duties amounting to R36 000 (2015: 36 000)

# **Mkhambathini Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Notes to the Annual Financial Statements**

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**Consumer Debtors** - This is as a result of implementing the supplementary valuation roll which affected the prior years valuation and property rates.

**Property plant and equipment** - This is as a result of expenditure incorrectly capitalised.

**Receivables from non exchange transactions** - This is a result of PAYE which could not be cleared due to lack of supporting documents as it relates to previous years.

**Receivables from Exchange transactions** - This is a result of debtors with no supporting documents to validate the debtor which relates to previous year.

**Payables from exchange transaction** - This is a result of Payables with no supporting documents to validate the debtor which relates to previous year.

**Revaluation Reserves** - During the review of the AFS conducted it was noted the revaluation was disclosed in the statement of changes in net assets, it should have been removed because the Municipality accounts for Property, Plant and equipment using the cost model and not the revaluation model.

# Mkhambathini Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Interest amounting to R8,281.73 consist of interest on overdue accounts from Telkom and Eskom .

Penalty amounting to R51,412.20 consist of vat penalty from SARS due to the late submission of Vat returns Expenditure incurred on leasing a Firearm from an employee amounting to R131 500.00.

### 37. Irregular expenditure

Opening balance	3,123,610	1,768,717
Add: Irregular Expenditure - current year	395,885	641,716
Less: Amounts condoned	-	-
Discovered during Audit	122,856	713,177
Less: Amounts not recoverable (not condoned)	-	-
<b>Amounts not condoned</b>	<b>3,642,351</b>	<b>3,123,610</b>

### 37. Irregular expenditure (continued)

Irregular expenditure consist of SCM deviations amounting to R518 737 during the current period

Contracts awarded in terms of section 36 (Deviations from /and ratification of minor breaches of procurement processes of the supply chain management policy amounted to R 518 737 . These were mainly due to 3 quotations not being obtained and other SCM processes not being complied with.

No unauthorised expenditure was recorded during the 2015 /2016 financial year .

### 38. In-kind donations and assistance

#### In-kind Donations provided and gifts received

In - kind donation provided by the Municipality	-	4,500
Gift received	-	(7,196)
	-	<b>(2,696)</b>

### 39. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Amount paid - current year	500,000	500,000
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#### Audit fees

Amount paid - current year	1,187,514	1,083,457
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#### PAYE and UIF

Current year Payroll Deduction	4,376,537	3,976,250
Amount paid - current year	(4,376,537)	(3,976,250)

	-	-
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#### Pension and Medical Aid Deductions

Current year subscription / fee	5,200,057	4,046,587
Amount paid - current year	(5,200,057)	(4,046,587)

	-	-
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**Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2016**

P77



	<b>Share of surplus/ (deficit) of associate</b>						
	-	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	<b>20,370,380</b>	<b>3,058,000</b>	<b>23,428,380</b>	<b>-</b>	<b>23,428,380</b>	<b>15,715,663</b>	<b>(7,712,717)</b>

During the financial year the Municipality undertook a risk assessment review process which was completed as part of risk management plan. The Municipality have put in place risk management structures including development of Risk Management Framework, Risk Management Policy and Risk Management Committee to deal with risk and compliance issues.

The Internal Audit prepared the Risk Based Audit plan which was adopted and approved by the Audit Committee. The Internal Audit Activity reports were presented to the Committee where areas of weaknesses were discussed and brought to management's attention who took corrective measures to resolve them. The management of risks, compliance issues as well as effective governance require ongoing monitoring.

### **The Effectiveness of Internal Control**

The Municipality's system of internal controls was progressing towards improving based on measures being instituted by the current leadership in order to improve control. These internal controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. The Audit Committee reviewed reports from the Internal Audit and we established the internal controls systems were in place and noted there was a lack of adequacy and effectiveness in terms implementation within the Municipality. Even though there were lack of effective systems of internal controls the Municipality responded by appointing a well experienced Chief Financial Officer to strengthening its internal controls systems and going forward such appointment will yield positive results.

### **Internal Audit Activity**

During the year the Committee reviewed the functioning of Internal Audit Activity and was satisfied that the work carried out by the unit. Internal Audit Activity have developed and executed the Risk Based Internal Audit Plan which was approved by the Committee. The Internal Audit Activity during the year has been functioning as per the Internal Audit Charter approved by the Audit Committee.

### **Adequacy, Reliability and Accuracy of financial Reporting and Information**

The Committee performed the review of the Municipality's Annual Financial Statement including the Accounting Policies and commented on the adequacy, reliability and accuracy of financial reporting. This also included reviews undertaken Internal Audit Activity.

**AUDIT ACTION PLAN TO AUDITOR GENERAL'S FINDINGS  
FOR 2015/2016 AUDIT**

No	Identified in audit	Commitment by Management	Action Date	Responsible Official
1	Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	<b>Internal audit</b> Internal audit will be requested to implement flowcharts for every process.	Feb 2017	Internal Audit Municipal Manager
2	Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	<b>Vacant positions</b> A commitment was made that the following vacant positions will be filled by 28 February 2017. - Technical services - Corporate services' director, and - Positions within SCM.	Feb 2017	Council Municipal Manager HR Officer
3	Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities	<b>Policies and procedures</b> All policies and procedures will be reviewed and amended by February 2017	Feb 2017	Council Municipal Manager Management
4	Develop and monitor the implementation of action plans to address internal control deficiencies	<b>Action plans</b> A consolidated action plan will be developed to address internal and external audit findings. The action plan will be tracked on a quarterly basis for implementation of SMART goals.	Ongoing quarterly	Council Municipal Manager Management
5	Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to	Filing to be done and managed together with contract management. Reconciliations to be done monthly	Ongoing	CFO Officials in Finance Department

		and - Positions within SCM.		
3	Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities	<b>Policies and procedures</b> All policies and procedures will be reviewed and amended by February 2017	<b>Feb 2017</b>	Council Municipal Manager Management
4	Develop and monitor the implementation of action plans to address internal control deficiencies	<b>Action plans</b> A consolidated action plan will be developed to address internal and external audit findings. The action plan will be tracked on a quarterly basis for implementation of SMART goals.	<b>Ongoing quarterly</b>	Council Municipal Manager Management
5	Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Filing to be done and managed together with contract management. Reconciliations to be done monthly	<b>Ongoing</b>	CFO Officials in Finance Department
6	Implement controls over daily and monthly processing and reconciling of transactions	Filing to be done and managed together with contract management. Reconciliations to be done monthly	<b>Ongoing</b>	CFO Officials in Finance Department
7	Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	<b>Interim financials</b> Interim AFS will be prepared by 31 Jan 2017  <b>Deviation checklists</b> - Deviations checklist for section 32 and 36 of the SCM regulation to be developed by 31 Dec 2016. - SCM checklist and Compliance checklist to be developed by 31 December 2016.	<b>Bi annually</b>  <b>Annually</b>  <b>Annually</b>	CFO Budget and Reporting Officer  CFO/SCM  CFO/SCM

### MUNICIPAL MANAGER'S FOREWORD

As the Accounting Officer of the Municipality, I confirm that this 2015/2016 Annual Performance Report has been compiled in line with the Local Government: Municipal Systems Act 32 of 2000. The report records the performance and progress achieved by Mkhambathini Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan (IDP), Organizational Scorecard and Service Delivery Budget Implementation Plans (SDBIP) as approved by Council for the 2015/2016 financial year. It also includes corrective action to be taken for targets not met.

The Municipality has made significant progress in the provision of services to its community based on the 2011 census; however the census showed that the level of unemployment rate particularly amongst the youth and poverty within Mkhambathini continues to grow. The agricultural sector which is the dominant sector that contributed to the economy of Mkhambathini continues to decline as a result of climate change as we have recently witnessed draught that impacted all agricultural sector across the country. The leading industries in terms of percentage contribution to Mkhambathini's economy are community services. This necessitates a change in the strategic direction of the Municipality moving forward.

In conclusion; my gratitude is extended to the community of Mkhambathini for their maximum participation in the IDP process; Council and Administration for their commitment to service excellence in Mkhambathini.

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Ms T. C. Ndlela

MUNICIPAL MANAGER

## THE ASSESSMENT PROCESS AND THE METHODOLOGY FOLLOWED IN COMPILING THE REPORT

According to the provisions of the Municipal Systems Act, 32 of 2000, municipalities must monitor and measure the progress of their performance by preparing quarterly and midyear performance reports, in terms of Chapter 6 of the MSA, on performance management systems. These quarterly and mid-year reports make up the municipalities' annual performance reports (Section 46 report), which are submitted to the Auditor-General, together with the financial statements, for auditing. After adoption of the audited performance report by the municipal council (a component of the Annual Report), it must then be submitted to the MEC for Local Government.

### LEGISLATIVE OVERVIEW

Section 46 of the Municipal Systems Act requires a Municipality to prepare for each financial year a performance report reflecting—

- The performance of the Municipality and of each external service provider during that financial year;
- A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- Measures taken to improve performance

An annual performance report must form part of the Municipality's annual report in terms of chapter 12 of the Municipal Finance Management Act.

Section 121 of the Municipal Finance Management Act (MFMA) 56 of 2003, requires that:

(1) Every Municipality and every entity must for each financial year prepare an annual report. The Council of a Municipality must within nine months after the end of a financial year deal with the annual report of the Municipality and of any municipal entity under the Municipality's sole or shared control in accordance with section 129.

Section 129 of the Municipal Finance Management Act (MFMA) 56 of 2003, requires that:

- (1) The Council of a Municipality must consider the annual report of the Municipality and of any municipal entity under the Municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a

The need for each department to also identify performance champions administratively to co-ordinate performance information to support performance managers and leaders is critical for ensuring compliance with reporting requirements. This would include adequate administrative systems such as record keeping, consistency with administrative support officials. Furthermore, ongoing awareness and training is necessary to ensure that the entity is abreast of all performance related issues and how this integrates into other municipal processes. The need for improved Intergovernmental relations to ensure streamlining of performance based reporting processes is also necessary.

This would require that all spheres of government to integrate and co-ordinate these reporting requirements through the identification and rationalization of key performance indicators aligned to the National Growth Path. Furthermore the alignment to the national government Medium Term Strategic Framework common goals and targets. It is also deemed appropriate for a common reporting, monitoring and assessment process be developed for all spheres of government in respect of specific key intervention /performance areas.

## **DEVELOPMENT STRATEGY**

The Development strategy for the Mkhambathini is designed to fit-in and give effect to the intention of both the national and provincial development strategies. This includes at a national development plan (Vision 2030) and various government programs. Mkhambathini IDP also fits within the provincial development framework as set out in the PGDS. The Mkhambathini strategy covers the following:

- Strategic fit (alignment with national and provincial development strategies).
- Mkhambathini long-term strategic direction and organizational culture.
- Mkhambathini short to medium term strategies and action plans.

## **ALIGNMENT WITH NATIONAL AND PROVINCIAL STRATEGIES**

### **Strategic Fit: National**

The strategic approach is meant to highlight the impact that the Municipality seek to create in the short to long term period. As indicated in the IDP, in addition to outcome 9, the Mkhambathini will contribute to the attainment of outcomes 2, 4, 5, 6, 8, 9, 10 and 12 with the 5 KPA as the strategic areas for intervention. As such, the development strategy for the Mkhambathini is designed to address issues that are specific to the Mkhambathini while also contributing to the attainment of the national and provincial priorities.

## **THE LOCAL GOVERNMENT BACK TO BASIC PROGRAMME**

agenda which is premised on the need to ensure functional municipalities as outlined by the Minister of Cooperative Governance and Traditional Affairs in his 2014 Budget Vote. The approach is informed by the Constitution, legislation and programmes that are intended at streamlining a new agenda aimed at changing Government's approach and strategic orientation especially at a local level towards serving the people whilst ensuring service delivery.

As part of Government's efforts to recognize and adequately reward good performance and ensure sufficient consequences for under-performance, the Department of Cooperative Governance (DCoG) has developed a set of indicators to be reported on a monthly basis as per the pillars of the Back to Basics Approach. These indicators will function thus to measure whether Mkhambathini Municipality is performing in terms of the basics and these are as follows:-

- Putting people first;
- Delivering basic services;
- Good governance;
- Sound financial management; and
- Building capable local government institutions.

Following the first Back to Basics reporting template sent in terms of the Department of Cooperative Governance Circular No. 47 of 2014, Mkhambathini Municipality's reporting tem is done as per the provided template. According to the circular, Mkhambathini Municipality is obliged to furnish the Minister of COGTA with information on a monthly basis in order to assist in the analysis of the state of local governance within South Africa, and also to afford COGTA the opportunity to make an informed assessment to support and intervene where needed. For the purpose of this report, as most KPI's were not included in the approved PMS, a portfolio of evidence was not retained and was not subjected to a monitoring and review process

### **LOCAL GOVERNMENT TURN AROUND STRATEGY**

In line with the National Turnaround strategy, the Mkhambathini Municipality also strives to address the turnaround priorities as identified below. The PMS of the Municipality caters for the monitoring of targets set against these activities as included in the IDP.

The outcomes of meeting these objectives as identified by the Local Government Turnaround Strategy include:

- The provision of household infrastructure and services
- The creation of liveable, integrated and inclusive cities, towns and rural areas
- Local economic development
- Community empowerment and distribution



- Output 2: Improving access to basic services
- Output 3: Implementation of the Community Work Programme
- Output 4: Actions supportive of the human settlement outcome
- Output 5: Deepen democracy through a refined Ward Committee Model
- Output 6: Administrative and financial capability
- Output 7: Single window of coordination

### **PRIORITY ISSUES AS IDENTIFIED IN THE 3RD GENERATION IDP**

- Delivery of human settlements – housing
- Upgrading and expansion of existing infrastructure
- Inefficient spatial integration and poor land use management.
- Poverty and unemployment.
- Rural development and Urban renewal
- Public participation and Governance
- Insecurity of land tenure
- Infrastructure investment Program
- Debt collection and management

### **VISION, MISSION AND CORE VALUES**

The following vision and mission statement for Mkhambathini Municipality were formulated at a strategic planning session with active participation of both the political and administrative components of the Municipality. The vision commits the Municipality to sustainable, integrated, equitable and effective development.

## ORGANISATIONAL SCORECARD 2015/2016

Performance on SDBIP's for each of the departments is attached as **Appendix 1**, with the assessment being done on reviewed Actuals against Portfolio of evidence submitted by departments. This is still subject to an auditing and verification process. This report is also subject to a formal evaluation process being conducted by the Municipal Manager.

DEPARTMENT	Planned Target	Target Met	Target In progress	
Office of the Municipal Manager	23	23	0	
Financial Services	27	27	0	
Corporate Services	27	27	0	
Community Services	41	31	0	
Technical Services	22	18	0	
Total	140	118	0	

The total number of KPI's on the performance score-cards (Departmental SDBIP's) is 140 (relevant and applicable) of which targets on the score-cards forms the basis of this assessment.

From the table above, of the 118 KPI's of targets have been met for the year under review on the SDBIP's holistically, with 0 of targets either partially met. Only 23 of the targets are not met, where an intervention is required

Department	Planned Target	Actual
Office of the Municipal Manager	1	1
Financial Service Department	1	1
Community Services Department	32	0
Corporate Services Department	1	1
Technical Services Department	1	1

Department	Planned Target	Actual
Office of the Municipal Manager	1	1
Financial Service Department	21	20
Community Services Department	4	1
Corporate Services Department	0	0
Technical Services Department	2	2

## CAPITAL PROGRAMME PERFORMANCE 2015/16

A detailed capital status report highlighting the status of the capital programme as at the 30 June 2016.

### Project planned that are still in Progress for the 2015/2016 Financial Year

PROJECT NAME	WARD	STATUS OF PROJECT
Mthayi Access Road	3	Project completed
Mantungweni Access Road	7	Project Completed
Hlukana Community Hall	2	To be completed by end of September 2016
Mpangisa Community Hall	6	To be completed by end of September 2016
Dukes Community Hall	4	To be completed by end of August 2016
Bebhuzi Sports Field	2	Due to draught project is being delayed and will be finished after the first rainy season.

### Project Completed

PROJECT	WARD No	VALUE	COMPLETION DATE
MAQONGQA SPORTFIELD	1	R 1 200 000.00	DEC 2015
KWAPONI SPORTFIELD	5	R 3 475 000.00	AUG 2015
STINGINI COMMUNITY HALL	1	R 1 987 000.00	AUG 2015
KWAGIJIMA CRECHE	3	R 1 680 000.00	SEPT 2015
MAKHALANJALO ACCESS ROAD	2	R 1 485 000.00	JUNE 2015
CHARLSE MKHIZE COMMUNITY HALL	6	R 2 168 000.00	AUG 2015
KWAPONI COMMUNITY HALL	4	R 2 168 000.00	AUG 2015

- f. Regular monitoring and oversight required for all targets set;
- g. That project task teams be established for all projects where co-ordination and integration is required;
- h. That a system be developed to ensure monitoring of all service providers;
- i. That Intergovernmental Relations structures be established to better align and coordinate development priorities and reporting requirements for the Municipality;
- j. That a baseline study be conducted on basic services to ensure alignment with internal statistics, Stats' SA and other sources.

#### **CHALLENGES 2015/2016**

- Late Appointment of Service Providers causing delays in implementation and completion of capital projects;
- Inability to fill critical positions at management level;
- Lack of detailed maintenance plan to facilitate maintenance of municipal infrastructure;
- Lack of strategy to implement special programs;
- Lack of Agricultural Development Strategy to alleviate poverty' and
- Insufficient own revenue to support services delivery initiatives.

The following are the service providers engaged in each business unit during the 2015/2016 financial year.

BID NO.	DESCRIPTION	SERVICE PROVIDER AWARDED TO	QUANTIFIED AMOUNT PER CONTRACT	DATE OF AWARD	DATE CONTRACT TERMINATED	REASON FOR TERMINATION	Assessment of Service Provider's Performance
MKH0201 3/19	Rehabilitation of Fairview Road	Nyaniso Contracting and trading	R381 672.50	23 JAN 2015	N/A	N/A	Good
MKH0201 3/20	Construction of Stingini Community Hall	Akwande Civils	R1 986 579.28	19 JAN 2015	N/A	N/A	Satisfactorily
MKH0201 3/21	Construction of KwaGijima Creche	Zulu Construction & General Trading	R1 246 516.12	19 JAN 2015	N/A	N/A	Good
MKH0201 3/22	Construction of Makhalanjalo Access Road	Sibani Trading cc	R1 485 383.06	19 JAN 2015	N/A	N/A	Good
MKH0201 3/23	Construction of Mahlabathini Sportfield	PEE 4 EEM Construction & Projects	R2 423 544.11	19 JAN 2015	N/A	N/A	Satisfactorily

MKH0201 3/30	Electrification of Itala Valley and Eston Farms	Ikhwezi Trading and Projects	R3 187 761 .08	23 JAN 2015	N/A	N/A	Satisfactorily
MKH0201 3/31	The supply and delivery of a 4x4 Bakkie	Hampson Auto	R479 859 .94	23 JAN 2015	N/A	N/A	Good

		projects	capital budget)100								
BS003	To develop, manager and maintain governance and stakeholders relationship and partnership	Provide refuse removal services to all households within the town area	Number of household provided with the service	480	480		Achieved	R300 000	N/A	N/A	
		Provide refuse bags to all households receiving refuse removal	Number of household provided with refuse bags	480	480		Achieved	R100 000	N/A	N/A	
BS004	To ensure safe and healthy environment	Develop and implement waste management plan	Date adopted	0	31 March 2016			Opex	Delays in soliciting input/feedback from National Department of Environmental Affairs	Draft Waste Management Plan in progress. To be finalized in the 2 <sup>nd</sup> Quarter of the 2016/2017	
BS005	To improve the performance and	Ensure that the EDP & HR Committee is	No of meetings held	4	3			Opex	Meeting not quote	A schedule of meeting will be developed and communicated timely to all councilors	



		maintenance plan to inform the budget	maintenance plan prepared and adopted		2016			target was not met	will be prepared as per project list from council.
BS010	To provide basic infrastructure services to indigent communities	Construct Rural Roads	Date of completion of Mthayi Road	Annual KPI	30 June 2016	N/A	N/A	N/A	N/A
BS011			Date of Completion of Mantungweni Access Road	Annual KPI	30 June 2016			N/A	N/A
BS012		Construction of Community Hall	Date of Completion of Dukes Community Hall	Annual KPI	30 June 2016	N/A	N/A	N/A	N/A
BS013			Date of Completion of Mpangisa Community Hall	Annual KPI	30 June 2016			N/A	N/A
BS014			Date of Completion of Hlukana Community hall	Annual KPI	30 June 2016			N/A	N/A

	of basic electricity to the community		electrified by end of June 16						
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	staff to ensure effective service delivery	Finance Staff	Training			Budget		
MTID005	Create Job opportunities	Create 81 EPWP job opportunities	Total number of jobs created	81	81	R 1 053 000	N/A	N/A
MTID006	To develop staff to ensure effective service delivery through training	Award staff members with bursaries	Date by which staff members are awarded with bursaries	31 March 2015	31 March 2016	R 350 000	N/A	N/A
MTID007	To provide skills development programme for staff and councilors	Conduct training as per workplace skills plan (WSP)	Number of Training conducted as per WSP	0	8		N/A	N/A
MTID008		Adoption of WSP	Date WSP submitted to LGESTA	31 April 2015	30 June 2016		N/A	N/A
MTID009	To ensure that employment equity targets	Review of Employment Equity Plan	Date EEP Reviewed	30 June 2015	30 June 2016	Opex	N/A	N/A



**Outcome 9: Community Works Programme Implemented and Cooperative Supported**  
**National Key Performance Area (KPA): Social Development & Local Economic Development**

IDP REF NO.	Strategic Objective	Measurable Output	Performance Indicator	Baseline	Annual Target 15/16	Actual Achieved 15/16	Budget	Reason For Variance	Corrective Measure
LED001	To pursue investment in strategic infrastructure necessary to attract and maintain business	To identify rural economic development projects	No of project visited	New KPI	4		R50 000	N/A	N/A
LED002	Increase number of ward made to emerging business	Number of awards made to BEE companies	No of awards made	12	20		Part of SCM Budget	N/A	N/A
LED003	To provide support on	Disaster management Plan Developed and	Date of Disaster	0	30 June 2015		R45000	The development	Draft disaster management plan

LED0011		Coordinate handover of ECD centres (W1 and W3)	disability forum	0	31 March 2016			Awaiting directive from the office of the Mayor	Awaiting directive from the office of the mayor
LED0012	To promote sports and recreation	Sports Programme Implemented (Local Selections, District, SALGA games and Golden Games)	No of Sports Events Held	2	3	Achieved	R1million	N/A	N/A
LED0013		SALGA KZN Sports Programme Implemented	Date Provincial SALGA Game	31 December 2014	December 2015	Achieved		N/A	N/A
LED0014		Launch of New Sport Council	Date of Launch	0	30 June 2016			Postponement of the local government election as the new sports council would	Target Moved to Q1 of the 2016/17

LED021	Establish and launch of informal economy chamber	held Date of Launch	New KPI	30 September 2015		N/A	N/A
LED022	Establish and launch of local tourism forum and community tourism organization	Date of launch	New KPI	30 September 2015		N/A	N/A
LED023	Develop Mkhambathini Informal Economy by-law.	Date of adoption by council	New KPI	30 June 2016	R1 million	Awaiting the informal traders by-law framework from the Department of Economic Development	Draft in place. Target moved to Q2 of the 2016/17 financial year
LED024	Training of pre established Pty and cc companies	No of training held	New KPI	1		Lack of capacity and poor coordination	Target moved to Q3 of the 2016/2017 financial year
LED025	Development and approval of LED strategy	Date of adoption by council	New KPI	30 June 2015		Internal SCM delays have caused the target to be	Target moved to Q2 of the 2016/17 financial year

	operation Sukuma Sakhe Programme	Sukuma Sakhe Task Team	held	New KPI	31 July 2015	Achieved			
LED031		Coordinate Mandala Day and Public Service Volunteer Week Activities	Date of activities					N/A	N/A
LED032	To provide efficient and	Library Week Activities	No of event held	1	1	Achieved	R74 000 000	N/A	N/A
LED033	effective library services	Conduct Library Outreach Programme	No of event held	2	2	Achieved		N/A	N/A
LED034		Facilitate Training on Basic Compute Skills	No of training held	New KPI	2	Achieved		N/A	N/A
LED035	To promote culture of learning and enhance social development	Train unemployed youth	Number of trained unemployed youth in brick laying and plastering by 30 June 2016	New KPI	21	Achieved		N/A	N/A
LED036	To ensure provision, upgrading and maintenance of infrastructure	Job creation through maintenance programme	Number of jobs created through maintenance programme by end of March	New KPI	49		R 7 000 000	The existing maintenance plan did not incorporate the municipal properties it	Maintenance of municipal properties has been scheduled for the new financial year.



**Outcome 9: Improved Municipal Financial and Administrative Capability**  
**National Key Performance Area (KPA): Financial Viability and Management**

IDP REF NO.	Strategic Objective	Measurable Output	Performance Indicator	Baseline	Annual Target 15/16	Actual Achieved 15/16	Budget	Reason For Variance	Corrective Measure
FV001	To ensure that the budget is spent according to budget projection	Review and comment on monthly budget expenditure	No of Expenditure Reports Reviewed	12	12		Opex	N/A	N/A
FV002	To improve expenditure control	Month reconciliation of creditors and bank balances	No of Monthly Reconciliation	3	12		Opex	N/A	N/A
FV003	To improve reporting control	Compliance with prescribed date of monthly returns	No of returns submitted	3	12		Opex	N/A	N/A
FV004		Compliance	No of Annual	1	1		Opex	N/A	N/A

		obsolete and disposed off	disposal	2015	2016				
FV009	To improve the budgeting and reporting process	Budget/IDP Process Plan Adopted	Date of adoption by council	30 August 2015	30 August 2016	Achieved	Opex	N/A	N/A
FV010		Submission of all monthly returns	No of Returns Submitted	12	12	Achieved	Opex	N/A	N/A
FV011		Submission of all quarterly returns	No of Returns Submitted	4	4	Achieved	Opex	N/A	N/A
FV012	Compilation of AFS	AFS submission	Date of Submission	31 August 2015	31 August 2016	Achieved	Opex	N/A	N/A
FV013	Complete FAR	Fixed Asset Register Reconcilled with general ledger	NO of Reconciliation	12	12	Achieved	Opex	N/A	N/A
FV014	To Improve income control	Total number of customer – database	% customers billed /Total	100%	100%	Achieved	Opex	N/A	N/A
FV015V	To Improve income control	Cash collected from customers	No of days outstanding	180 days	+180 days		Opex	Long outstanding debtors	Need to improve credit control and debt collection

FV020	To Improve income control	R debtors outstanding as a % of revenue received for services	operating expenditure % achieved (total outstanding debtors/actual revenue received for services) x 100	12	12	Actual	Opex	N/A	N/A
FV021	To ensure that VAT is accounted for	VAT reconciliation performed	Number of Reconciliation performed	New KPI	12	Actual	Opex	N/A	N/A
FV022	To ensure that the system of internal control is working effectively within the payroll section	Monthly Payroll Reconciliation Performed	Number of Reconciliation Performed	New KPI	12	Actual	Opex	N/A	N/A
FV030	To ensure functional EPWP Programme	Spend 100% of the EPWP allocation by June 2016	% spent on EPWP allocation	100%	100%	Actual	R 1 053 000	N/A	N/A
GG003	To implement and maintain	Update and report on the	Number of Reports	4	4	Actual	Opex	N/A	N/A

FV035	To practice sound financial management principles	Submit Report of EDP Portfolio Committee by 30 June 2016	Number of Reports Submitted	end June 2016	3	4	Achieved	Opex	N/A	N/A
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GG014	National Treasury	Annual Report Developed and Adopted	Date Adopted	31 March 2015	31 March 2015	Achieved	R 150 000	N/A	N/A
GG015	Oversight Process Facilitated and Adopted	Date Adopted	31 March 2015	31 March 2016	Achieved	Opex	N/A	N/A	
GG016	Coordinate Municipal Public Accounts Committee	Number of meetings held	4	2		Opex	There has been a lack of coordination of the sitting of portfolio committees due to non-availability of schedule of meetings	The schedule of meeting for the financial year have been developed and will be communicated to all stakeholders after the formulation of new council committee	
GG017	Review and update the IDP	Facilitate IDP Representative Forum	1	2	Achieved	R 400 000	N/A	N/A	
GG018		Date of	31 March	31 March	Achieved		N/A	N/A	

	To provide reasonable assurance on the adequacy and effectiveness of internal control system	Audit Plan		September 2015	September 2016				
GG023		Legislative Compliance (including Completion of declaration of interest form by each employee) improved		4	4			N/A	N/A
GG003	To ensure that the risk management process is functioning efficiently and effectively	Update and report on risk management register		4	4			N/A	N/A
GG011	To transform the Municipality into a performance driven organization	OPMS reviewed and implemented	Number of municipal performance report submitted	4	4			N/A	N/A
GG021	To ensure that the Municipality is legally compliant	Legal compliance monitored	No of compliance report	4	4			N/A	N/A

GG025	maintain user Departments with ICT requirements	Supported System maintained	time for call out resolution	100% uptime	100% uptime	Opex	N/A	N/A
GG026	To ensure that intergovernmental relations structures function effectively within the district	To attend the ICT forum	No of meetings attended	4	4	Opex	N/A	N/A
GG027	To improve performance and functioning of the Municipality	Number of Council and Committee Meeting Held	No of Council Meeting Held	11	11	Opex	N/A	N/A
GG029			No of EXCO meeting held	11	11	Opex	N/A	N/A
GG030			Number of Local Labour Forum Held	4	4	Opex	N/A	N/A
GG031	To ensure that job task are documented	Prepare Draft Job Descriptions	No of Draft Job Description Finalised	New KPI	30 June 2016	Opex	N/A	N/A
GG032		Job Descriptions Evaluated	Date Job Evaluation Finalised	New KPI	30 June 2016	Opex	N/A	N/A

**Outcome 9 Improved Municipal Financial and Administrative Capability**  
**National KPA: Cross Cutting Interventions.**

IDP REF NO.	Strategic Objective	Measurable Output	Performance Indicator	Baseline	Annual Target 15/16	Actual Achieved 15/16	Budget	Reason For Variance	Corrective Measure
CCI1	To facilitate spatial development in the entire area of Mkhambathini Municipality	Turnaround time to finalise PSA application	Turn Around Time	3 months	3 months	Achieved	Opex	N/A	N/A
CCI2	To Ensure that Planning and Development priorities of the Municipality are accounted for	Submit reports on planning and development issues of the Municipality	No of Reports		4	Achieved	Opex	N/A	N/A
CCI3	To facilitate and review spatial development framework.	Review and submit SDF to Council for adoption	Date Adopted	30 June	30 June	Achieved	Opex	N/A	N/A